



U.S. Department of Justice

***United States Attorney
Eastern District of Arkansas***

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**FORMER PRESIDENT OF AFFILIATED FOODS SOUTHWEST, INC.
SENTENCED TO 41 MONTHS IMPRISONMENT**

LITTLE ROCK – Jane W. Duke, United States Attorney for the Eastern District of Arkansas, announced today the sentencing of John Mills, age 60, of Cabot, Arkansas. This sentencing follows the February 18, 2010 waiver of Indictment and plea to an Information which charged Mills with one count of aiding and abetting bank fraud by participating in a check kiting scheme, in violation of Title 18, United States Code, Sections 1344 and 2.

At the sentencing hearing held before Chief United States District Judge J. Leon Holmes, Mills was sentenced to 41 months imprisonment, three years supervised release, and restitution in the amount of \$3,170,834.20. Mills was ordered to report for service of his sentence on January 3, 2011.

From 2004 until March 2009, Mills served as President, Chief Executive Officer, and Chairman of the Board for Affiliated Foods Southwest, Inc. (AFS), a privately-held wholesale food distribution company. Prior to ceasing operations in July 2009, AFS was headquartered in Little Rock and provided products to hundreds of independently-owned grocery stores in Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas. AFS was the parent company of various entities, including Consolidated Warehousing, Convenience Store Supply Inc. (CSSI) and Supermarket Investors, Inc (SII). During the relevant time period, AFS had a \$70 million participatory loan with U.S. Bank as the lead lender.

In mid- to late-2008, AFS began to experience major cash flow problems. In order to alleviate AFS' cash flow problems, Mills and Chief Financial Officer Alexander "Lex" Martinez devised a scheme in which checks would be issued by CSSI and SII to AFS and deposited into AFS's bank account. To effectuate the scheme, an internal accountant of AFS was asked to prepare a daily cash needs report for AFS showing each day's cash shortfall, which was based on the accountant's review of the anticipated AFS deposit items versus the anticipated AFS clearing items. After reviewing each day's report, Mills and Martinez would discuss the dollar amounts of checks to be drawn on CSSI and SII accounts in to cover AFS' anticipated cash shortage. The internal accountant was then instructed to contact accountants for SII and CSSI to request them

to prepare checks made payable to AFS in the amounts determined. The instructions were given knowing that SII and CSSI did not have sufficient funds in their bank accounts to cover the requested checks. The requested SII and CSSI checks were prepared, processed, and deposited into AFS' bank account prior to 2 p.m. each day so that AFS could obtain same day credit for the funds. On a daily basis, U.S. Bank withdrew the funds deposited into AFS' account and used those funds to reduce the outstanding balance on AFS' line of credit. By using the kited checks to artificially reduce its outstanding line of credit balance, AFS had sufficient funds available on their line of credit to cover the checks clearing that day.

At the time of the plea hearing, Mills acknowledged that on an almost daily basis from September 29, 2008 until February 27, 2009, checks were kited from CSSI and SII and deposited into AFS's account. The check kiting scheme, which was discovered by U.S. Bank officials in February 2009, resulted in the line of credit being frozen by bank officials. The total amount of checks kited during the scheme exceeded \$11.5 million. The current restitution amount owed to U.S. Bank is \$3,170,834.20.

Alexander "Lex" Martinez has been charged by the Grand Jury with related offenses including one count of conspiring to commit bank fraud in violation of Title 18, United States Code, Section 1349, one count of aiding and abetting bank fraud by participating in a check kiting scheme, in violation of Title 18, United States Code, Sections 1344 and 2, and one count of aiding and abetting a false statement to a financial institution in violation of Title 18, United States Code, Sections 1014 and 2. His trial is scheduled before the Honorable Brian S. Miller on May 16, 2011. An indictment contains only allegations. Martinez is presumed innocent unless and until proven guilty.

The investigation was conducted by the Federal Bureau of Investigation. It is being prosecuted by Assistant United States Attorney Karen Whatley.

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